

**ISLA VISTA COMMUNITY
SERVICES DISTRICT**

FINANCIAL STATEMENTS
June 30, 2018

ISLA VISTA COMMUNITY SERVICES DISTRICT
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June 30, 2018

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Isla Vista Community Services District
Santa Maria, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Isla Vista Community Services District (the District), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Isla Vista Community Services District, as of June 30, 2018, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-4 and the budgetary comparison information on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the

methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 17, 2019, on our consideration of the Isla Vista Community Services District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Moss, Remy & Hargrave LLP

Santa Maria, California
June 17, 2019

ISLA VISTA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2018

The 2017-2018 Fiscal Year represents the first fiscal year of operations for the Isla Vista Community Services District, as it formed on March 1st, 2017.

The District recorded \$147,868 in revenue and incurred \$90,088 in expenditures, with a year-end fund balance of \$57,780. Of that, \$50,726 is assigned to specific programs funded by UC Santa Barbara's pledge.

While the formation measure for the District passed on the November 2016 ballot, the accompanying tax measure did not, leaving the District without an independent source of revenue. Therefore the District relied primarily upon private grants (\$23,000), donations from individuals (\$2,500), the County Office of the Third District Supervisor (\$5,000), charges for services (\$9,000) and the \$200,000/year pledge from UC Santa Barbara, of which the District requested \$108,044, for revenue. Other sources accounted for \$324 in revenue.

At the start of the year the District hired interim legal counsel (Aleshire and Wynder LLP), had very little cash on hand (\$5,000), and no staff aside from interns. Once the District approved its first budget and chose to bank with the County of Santa Barbara Treasury, the Auditor-Controller's FIN software was selected as the accounting software for the District. FIN provided a robust, affordable, and strict system for the District to handle its low volume of transactions. UCSB provided \$20,000 from its pledge to the District for operating expenses.

In the first quarter of the fiscal year the County of Santa Barbara and the District entered into an agreement to provide office space to the District at no cost in exchange for the District's services operating the Isla Vista Community Room, represented at \$9,000 in revenue and expense. The District secured \$20,000 from the Bower Foundation and \$3,000 from the Fund for Santa Barbara and contracted with Isla Vista Youth Projects to do so.

In the second quarter, the District contracted with Abboud Consulting LLC for interim general manager services and made its first request of the UCSB pledge (\$47,016) to contract with the UC Police Department for the "Isla Vista Safety Stations." The District's third service, the Rental Housing Mediation Program, was launched in the fourth quarter with a request from UCSB (\$33,028) and partnership with the Legal Aid Foundation. Finally, \$8,000 was requested from UCSB to begin a graffiti abatement program in the 18-19 fiscal year.

The District relied heavily on partnerships to launch services, especially due to the lack of internal infrastructure to provide and operate services directly.

Near the end of the year, on June 7th 2018, the voters of the Isla Vista Community Services District approved a Utility User's Tax of 8% on water, gas, garbage, sewage, and electricity services. While this served as an independent revenue stream for the District to begin providing services to the community, it also secured the District's existence as the enabling legislation required the passage of the tax within seven years of formation. An analysis of utility billings performed by the District's Finance Committee as part of the 2018-2019 budget process projected a collection amount of \$913,000. Since the tax would take some time to implement, the District set \$777,000 as its budgeted tax revenue in the 2018-2019 Fiscal Year.

With the passage of the tax guaranteeing the existence and financial position of the District, the Board made commitments to expand its grant with Isla Vista Youth Projects to manage the daily Community Room Program's operations to \$70,000 and compensate its interim management and legal firms on a full-time basis. The contract for the Safety Stations was also renewed at a higher service level and a new contract with UC Police Department was approved for \$152,000/year for an Interpersonal Violence Investigator.

Just under half of the revenue (\$50,726) from the UCSB pledge remained in the Fund Balance at year-end. The funds have been assigned to their respective programs and will be used in the 2019-2020 Fiscal Year to operate those

ISLA VISTA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2018

programs. The unused portion of the 2017-2018 UCSB pledge (\$91,956) is not recorded as revenue as it is only accessible on a request-basis for mutually agreed upon projects, but remains available for future fiscal years. The District ended the year with \$57,780 in assets including the remaining and recorded UCSB pledge in the fund balance.

I am pleased to report that the Isla Vista Community Services District ended its first year with three actively operating services, a roadmap for a staff structure, strong partnerships, and a strong foundation of fiscal responsibility.

Jonathan Abboud, General Manager
Isla Vista Community Services District

ISLA VISTA COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 65,551
Accounts receivable	286
Pledge receivable	<u>91,956</u>
Total assets	<u>157,793</u>
LIABILITIES	
Accounts payable	<u>8,057</u>
Total liabilities	<u>8,057</u>
NET POSITION	
Unrestricted	<u>149,736</u>
Total net position	<u><u>\$ 149,736</u></u>

The notes to basic financial statements are an integral part of this statement.

ISLA VISTA COMMUNITY SERVICES DISTRICT**STATEMENT OF ACTIVITIES**For the Fiscal Year Ended June 30, 2018

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Revenue and Changes in Net Position
Governmental activities:					
General operations	\$ 37,198	\$ -	\$ 34,500	\$ -	\$ (2,698)
Community programs	20,572	9,000	21,000		9,428
Housing programs	1,200		28,028		26,828
Public safety	28,118		47,016		18,898
Public works/graffiti abatement	3,000		8,000		5,000
Community planning			91,956		91,956
Total governmental activities	<u>\$ 90,088</u>	<u>\$ 9,000</u>	<u>\$ 230,500</u>	<u>\$ -</u>	<u>149,412</u>
General Revenues:					
Use of money and property					<u>324</u>
Total general revenues					<u>324</u>
Change in net position					149,736
Net position, beginning of fiscal year					<u></u>
Net position, end of fiscal year					<u>\$ 149,736</u>

The notes to basic financial statements are an integral part of this statement.

ISLA VISTA COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
June 30, 2018

	General Fund
ASSETS	
Cash	\$ 65,551
Interest receivable	286
Pledge receivable	<u>91,956</u>
Total assets	<u><u>\$ 157,793</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities:	
Accounts payable	<u>\$ 8,057</u>
Total liabilities	<u>8,057</u>
Deferred Inflows of Resources:	
Unavailable pledge receivable	<u>91,956</u>
Total deferred inflows of resources	<u>91,956</u>
Fund Balance:	
Assigned	
Safety stations	18,898
Graffiti abatement	5,000
Mediation	26,828
Unassigned	<u>7,054</u>
Total fund balance	<u>57,780</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 157,793</u></u>

The notes to basic financial statements are an integral part of this statement.

ISLA VISTA COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL
FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total Fund Balance - Governmental Fund	\$	57,780
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Amounts reported for governmental activities in the statement of
net position are different because:

In governmental funds, pledges offered but not yet received are unavailable
because they cannot be used to meet current financial obligations. In the
statement of net position, all revenues are recognized when pledged.

91,956

Total Net Position - Governmental Fund	\$	<u>149,736</u>
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The notes to basic financial statements are an integral part of this statement.

ISLA VISTA COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2018

	General Fund
	<hr/>
Revenues:	
Intergovernmental revenues	
County of Santa Barbara	\$ 5,000
UCSB contribution	108,044
Charges for services	9,000
Non-profit organization grants	
Bower Foundation	20,000
Fund for SB grant	3,000
Donations	2,500
Investment earnings	766
Unrealized loss on investments	(442)
	<hr/>
Total revenues	147,868
	<hr/>
Expenditures:	
General operations	37,198
Community programs	20,572
Housing programs	1,200
Public safety	28,118
Public works/graffiti abatement	3,000
	<hr/>
Total expenditures	90,088
	<hr/>
Net change in fund balance	57,780
Fund balance - July 1	<hr/>
Fund balance - June 30	\$ 57,780
	<hr/> <hr/>

The notes to basic financial statements are an integral part of this statement.

ISLA VISTA COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balance - Governmental Fund	\$	57,780
Amounts reported for governmental activities in the statement of activities are different because:		
Pledged revenues in the governmental receivables are unavailable because they cannot be used to meet current financial obligations. In the statement of activities, revenues are recognized when pledged.		
		<u>91,956</u>
Change in Net Position - Government Fund	\$	<u>149,736</u>

The notes to basic financial statements are an integral part of this statement.

ISLA VISTA COMMUNITY SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Isla Vista Community Services District, (the District) is an independent division of local government, authorized by the California Government Code Section 61250 and formed on March 1, 2017. The District is governed by seven Board of Directors including four members elected at large from within the District to serve four-year terms, one member elected at large from within the District to serve a two-year term, one member appointed by the Board of Supervisors of the County of Santa Barbara for a term of two years, and one member appointed by the Chancellor of the University of California, Santa Barbara for a term of four years.

B. Reporting Entity

The reporting entity is the Isla Vista Community Services District. There are no component units included in this report which meet the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, and No. 80.

C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Basis of Presentation

Government-wide financial statements:

The government-wide financial statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds.

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Fund financial statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation (Continued)

Fund financial statements (Continued)

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes and grants. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenues:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are recorded as unearned revenue. On governmental funds financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first then unrestricted resources as they are needed.

ISLA VISTA COMMUNITY SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The District's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into one major fund, as follows:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

G. Budgets and Budgetary Accounting

In accordance with the California Government Code and other statutory provisions, on or before August 30 for each fiscal year, the District must prepare and submit a budget to the County Auditor. The annual budget is adopted for the general fund. The District budget is prepared on a modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America. Annually, the Board of Directors conducts a public hearing for the discussion of a proposed budget. At the conclusion of the hearings, the Board adopts the final fiscal budget. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriation) is maintained at the object level. Any changes in the annual budget must be within the revenues and reserves estimated by the District or the revenue estimates must be changed by a vote of the Board.

H. Cash and Investments

The District maintains substantially all its cash in the Santa Barbara County Treasurer's cash management investment pool (the pool).

State statutes and the County's investment policy authorize the County Treasurer to invest in U.S. Treasury and U.S. Government agency securities; state and/or local agency bonds, notes, warrants, or certificates of indebtedness; bankers' acceptances; commercial paper; corporate bonds and notes; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; securities lending; bank deposits; money market mutual funds; State of California Local Agency Investment Fund (LAIF); and the investment pools managed by a Joint Powers Authority. Interest earned on pooled investments is apportioned quarterly into participating funds based upon each fund's average daily deposit balance. Any investment gains or losses are proportionately shared by all funds in the pool.

Investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal.

The pool's disclosures related to cash and investments, including those disclosures regarding custodial credit risk, are included in the County's Comprehensive Annual Financial Report. A copy may be obtained online from the Auditor-Controller section of the County's website.

I. Receivables

Receivables are recorded in the District's Statement of Net Position and Governmental Funds Balance Sheet net of any allowance for uncollectible. All receivables are deemed to be collectible at June 30, 2018, and, as such, the District has no allowance for uncollectible accounts for these receivables.

ISLA VISTA COMMUNITY SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

K. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid expenditures) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

L. Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

ISLA VISTA COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The District currently has no items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position and/or the Governmental Fund's Balance Sheet will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has one item which qualifies for reporting in this category; refer to Note 3 for a detailed listing of the deferred inflows of resources the District has reported.

N. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 83	"Certain Asset Retirement Obligations"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 84	"Fiduciary Activities"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018
Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019
Statement No. 88	"Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 89	"Accounting for Interest Cost Incurred Before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019
Statement No. 90	"Majority Equity Interests-an Amendment of GASB Statements No. 14 and No. 61"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018

NOTE 2 - CASH AND INVESTMENTS

On June 30, 2018, the District had the following cash on hand:

Cash held by the Santa Barbara County Treasurer	\$ 65,551
Total cash	<u>\$ 65,551</u>

Cash is presented on the accompanying basic financial statements, as follows:

Cash, statement of net position	\$ 65,551
Total cash	<u>\$ 65,551</u>

ISLA VISTA COMMUNITY SERVICES DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has investments in the Santa Barbara County investment pool, however, this external pool is not measured under Level 1, 2, or 3.

Investments Authorized by the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. The District held no investments as of June 30, 2018.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Santa Barbara County Investment Pool	\$ 65,551	\$ 65,551	\$ -	\$ -	\$ -
Total	\$ 65,551	\$ 65,551	\$ -	\$ -	\$ -

ISLA VISTA COMMUNITY SERVICES DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS**June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Santa Barbara County Investment Pool	\$ 65,551	N/A	\$ -	\$ -	\$ -	\$ 65,551
Total	\$ 65,551		\$ -	\$ -	\$ -	\$ 65,551

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments (other than external investment pools) in any one issuer that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2018, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Santa Barbara County Investment Pool).

ISLA VISTA COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – UCSB PLEDGES OF REVENUE

The University of California Santa Barbara (UCSB) has a Long-Range Development Plan that commits the University to make investments in the form of matching funds for projects in the Isla Vista Community. The University as part of the formation process of the IVSCD stated that should AB 3 be approved by the State Legislature and a Community Services District is subsequently approved by the voters of the proposed District, the University is willing to commit \$200,000 annually to support mutually-agreed upon projects, programs, and/or services that advance the common goals of the university and the IVSCD. This commitment is pledged from 2017, until 2024, at which point the commitment would be considered for renewal and/or renegotiation.

In FY 17-18 UCSB agreed to provide funding for programs such as Safety Stations, Graffiti Abatement, Tenant Mediation and Administration. UCSB advanced \$108,044 for these programs. The District expended \$57,326 and carried forward \$50,718 as Assigned Fund Balance for these programs. The remainder of the \$200,000 pledge for FY 17-18 in the amount of \$91,956 that was not advanced is shown as a pledge receivable on the District Statement of Net Position. On the Statement of Revenues, Expenditures, and Changes in Fund Balance, the \$91,956 receivable is deferred since the revenue is not yet available to spend.

NOTE 4 – NET POSITION

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the District, not restricted for any project or other purpose.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Litigation

According to the District's staff and attorney, no contingent liabilities or lawsuits are pending of any financial consequence as of June 30, 2018.

State and Local Allowances, Awards, and Grants

The District receives grant monies as reimbursements for specific costs incurred in certain projects it administers that may be subject to review and audit by the reimbursing agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements will not be material.

Related Party

The Isla Vista Community Services District paid \$3,000 to Abboud Consulting, LLC for Interim General Manager services during the 2017-2018 Fiscal Year. Abboud Consulting is owned by the current General Manager Jonathan Abboud.

ISLA VISTA COMMUNITY SERVICES DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS**June 30, 2018

NOTE 6 – SUBSEQUENT EVENTS

Near the end of the year, on June 7th 2018, the voters of the Isla Vista Community Services District approved a Utility User's Tax of 8% on water, gas, garbage, sewage, and electricity services. While this served as an independent revenue stream for the District to begin providing services to the community, it also secured the District's existence as the enabling legislation required the passage of the tax within seven years of formation. Tax collection began for the 2018-2019 Fiscal Year.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

ISLA VISTA COMMUNITY SERVICES DISTRICT

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	Favorable (Unfavorable)
Revenues:				
Intergovernmental revenues				
County of Santa Barbara	\$ 2,000	\$ 2,000	\$ 5,000	\$ 3,000
UCSB contribution	29,000	108,044	108,044	
Charges for services		9,000	9,000	
Non-profit organization grants				
Bower Foundation		20,000	20,000	
Fund for SB grant	3,000	3,000	3,000	
Donations			2,500	2,500
Investment earnings			766	766
Unrealized loss on investments			(442)	(442)
Total revenues	34,000	142,044	147,868	5,824
Expenditures:				
Audit and accounting fees	500	500	500	
Memberships	1,000	1,000		1,000
Office Expense	5,800	9,800	679	9,121
Professional and special service	5,000	29,000	13,844	15,156
Legal fees	6,000	8,000	29,993	(21,993)
Contractual services		78,044	32,282	45,762
Publications and legal notices	500	500	96	404
Rent	9,000	9,000	9,000	
Training	1,000	1,000		1,000
Communications	2,000	2,000	494	1,506
Liability insurance	3,200	3,200	3,200	
Total expenditures	34,000	142,044	90,088	51,956
Net change in fund balance			57,780	57,780
Fund balance - July 1				
Fund balance - June 30	\$ -	\$ -	\$ 57,780	\$ 57,780